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Foreign Remittances

1. The rate of the "T/T", which actually refers to checks and drafts by airmail, can be quoted by any broker in Tientsin or Shanghai. It varies roughly from a premium of 5 per cent to a discount of the same amount. The announced postal censorship by the Chinese post office has caused Tientsin to be flooded with checks and drafts which people are trying to cash for dollars and has temporarily put the rate at a 10 per cent discount. Probably a U.S. check or draft could be cashed for CNG on the black market at approximately par. Although Shanghai importers normally settle their foreign debit balances by this so-called T/T, they claim that they are not remitting any profits abroad but are using them to maintain their China establishments.

Chinese Customs Valuations

2. Exports from China are undervalued to the lowest figure that customs will accept, which in some cases is less than cost. A buyer in the United States, for example, would remit money to China on the basis of the low valuation and then by agreement with the exporter would remit the remainder by U.S. check or leave it, at the exporter's request, in the States as free funds.
3. Chinese customs valuations are not always the same for identical exports at different ports. For example, Shanghai valued a certain kind of fur at US\$9, or the equivalent, while at Tientsin the same fur was assessed at US\$13.
4. In imports, overvaluation to the limit of acceptability by Chinese customs is the rule, since licensed imports are bought at the cheap official rate, or half the black market rate. Chinese customs are able to check on invoice prices in the case of staples, and are apt to hold these to an accurate figure, but valuations of miscellaneous items are not checked.

Import Licenses

5. In Shanghai there is no direct evidence that licenses are being sold, although there is some indication that this would be done if the amounts involved were large enough. Rather, there appear to be various ways of expanding the amount of goods imported on licenses by manipulating values. This is a natural development considering the amount of smuggling which goes on.

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letter of 16 October 1978 from
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CONFIDENTIALIrregularities

6. There is no completely legal business going on in Shanghai. Chinese officials are always involved at some point in the proceedings and are distinctly reluctant to deal with foreigners, particularly Americans, for fear they will not "understand" the almost required irregularities. Foreigners can usually dissipate official embarrassment by showing a very "understanding" attitude and by dispensing special favors. Favors from officials and availability of goods make the black foreign exchange extremely profitable for the brokers who deal in it. American and other foreign import-export firms in Shanghai and Tientsin have for a long time complained about the stifling of foreign trade, but methods which individual traders or firms have developed to circumvent the laws remain undisclosed.

Attitude Toward a Possible U.S. Loan

7. The typical attitude of Chinese private businessmen of the upper level is that a U.S. loan to China would strengthen the hand of the Chinese Government in the field which should be restricted to private enterprise, and that this interference would promote inefficiency to an alarming degree. This group also believes that unless the Civil War is stopped, no matter how large a loan might be forthcoming from the U.S., nothing except a temporary strengthening of morale could be accomplished.
8. The typical university-educated liberal opposes anything that will prolong the life of the present government at the expense of the "people". This attitude is only slightly different from that of the Communists. The only people who are convinced that a loan would really help are the Kuomintang Party members.

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